

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

FILED
8:36
U.S. DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA

UNITED STATES OF AMERICA,

Plaintiff,

v.

CIVIL NO. 8:01-cv-331-T-23TGW

JOSEPH N. SWEET, individually
and as trustee of EDM ENTERPRISES;
and EDM ENTERPRISES, a Trust,

Defendants.

**UNITED STATES' MEMORANDUM IN SUPPORT OF
MOTIONS TO HOLD DEFENDANTS IN CONTEMPT AND
FOR SHOW CAUSE ORDER**

Despite this Court's February 20, 2002 Order, defendants continue to promote abusive tax schemes and make false statements about the tax laws. Defendants have also failed to notify their customers of the Court's Order, and have failed to turn over any documents or client information to the United States. As explained below, defendants have violated this Court's Order and therefore should be held in contempt.

QUESTION PRESENTED

This Court ordered defendants to stop organizing and promoting abusive tax schemes, to stop making false statements about the tax laws, to notify their customers of the Court's Order, and to provide documents and client information to the United States. Defendants continue promoting their abusive tax schemes and continue making false statements about the tax laws. Defendants have failed to make any efforts to notify customers of the Court's Order and have failed to make any efforts to provide the United

53

States with documents. To avoid civil contempt sanctions, enjoined persons must prove that they have made “in good faith, all reasonable efforts to comply” with a court’s order. Should defendants be held in contempt for violating this Court’s Permanent Injunction Order?

STATEMENT OF FACTS

The United States filed this action on February 13, 2001 to enjoin defendants from promoting abusive tax schemes involving sham trusts and frivolous arguments about the tax laws.

Defendants advise customers that wages are not taxable income, and that filing federal income tax returns and paying federal income taxes are voluntary.¹ Defendants advise their trust customers that the trusts do not need to file tax returns or pay taxes on income.² As a result of defendants’ actions, defendants’ customers improperly discontinue filing federal income tax returns, underreport their taxable income on their returns, and/or fail to pay their correct tax liability.³ Defendants have sold at least 650 packages of their plan materials, and have sold at least 400 abusive trusts.⁴ Defendants’ past promotions resulted in revenue loss of over \$6.5 million. The IRS’ efforts to detect and audit defendants’ customers who fail to file returns or file using defendants’ purported non-grantor trust documents have placed a severe burden on IRS resources.⁵ A substantial portion of the revenue lost due to defendants’ actions is

¹ Compl. ¶ 13; *Buchanan v. Bowman*, 820 F.2d 359 (11th Cir. 1987)(effect of default judgment is defendants’ admission of plaintiff’s well-pleaded allegations of fact).

² *Id.* at ¶¶ 9 and 13.

³ *Id.* at ¶ 22.

⁴ *Id.* at ¶ 21.

⁵ Compl. ¶ 21.

likely to be permanent because of the IRS's inability to locate participants and their assets, determine the correct amount of tax due, and collect it.

The Court denied defendants' motion to dismiss, and default was entered on May 18, 2001.

After unsuccessfully attempting to "quash service," based on a frivolous argument, defendants moved to set aside default. On January 30, 2002, the Court denied defendants' motion to set aside default, and ordered defendants to show cause why default judgment should not be entered. Defendants failed to respond, and by Order entered February 20, 2002, this Court permanently enjoined defendants from:

- Indirectly or directly organizing, promoting, marketing or selling any abusive tax shelter, plan or arrangements that incite taxpayers to attempt to violate internal revenue laws or unlawfully evade the assessment or collection of federal taxes, including but not limited to "Good News... Bad News" and "UBTOs."
- Making false representations about the internal revenue laws and interfering with the administration and enforcement of internal revenue laws.

The Court ordered defendants, by March 22, 2002, to:

- Notify all purchasers of their abusive tax shelters, plans or arrangements "Good News... Bad News" and "UBTOs" of the Court's Order.
- Provide the United States with copies of all documents identifying persons or entities that have purchased their tax shelters, plans or arrangements "Good News... Bad News" and "UBTOs."

The injunction was based on the Court's conclusion that EDM and Sweet have interfered with the enforcement of the internal revenue laws, and have organized or promoted abusive tax shelters, plans or arrangements, and in so doing made false statements concerning the internal revenue laws. As explained below, defendants have violated every single provision of this Court's Order.

1. Defendants Continue to Promote Their Illegal Tax Schemes.

In defiance of the Court's February 20, 2002 Order, defendants continue to actively promote their illegal tax schemes, including those known as "Good News... Bad News" and "UBTOs," on the Joy Foundation website, www.joyfoundation.com. Joy Foundation promotes abusive tax schemes, including the two marketed by Joseph Sweet and EDM. As Sweet admits, he is co-trustee of the Joy Foundation.⁶ Sweet helped "create" the Joy Foundation by setting it up as a "UBTO."⁷ Sweet also acts as a conduit for Joy Foundation funds. The Joy Foundation website tells customers to pay "Dr. Joe Sweet on behalf of The Joy Foundation" for their UBTOs.⁸ As of April 24, 2002, materials relating to Sweet's abusive tax promotions were available at the Joy Foundation's website, www.joyfoundation.com, including the following documents, integral to the promotion and implementation of defendants' schemes:⁹

Associate's Degree/Associate's Degree Plus Program application: Joy Foundation membership application whereby members can purchase defendants' abusive scheme "Good News... Bad News," and defendant Sweet's books, including the "Textbook, Workbook and Reference Book," which includes forms to send to the IRS to build a "Reliance Offense."

⁶ Def.'s Answers to United States' First Set of Interrogs., ¶ 8, dated February 19, 2002, attached as Exhibit 1.

⁷ Acknowledgment and Declaration of the Contract and Indenture Which Creates The JoY Foundation, signed by defendant Sweet as "Signatory Correspondent, EDM Enterprises, CREATOR," attached as Ex. 2. This document was obtained from the *Malone v. Malone* court file, No. 01-002246-FD-022, Fla. Pinellas County Ct.

⁸ Cantrell Decl, ¶ 4, and Cantrell Decl. Ex. 3.

⁹ *Id.*, ¶¶ 4-10, and Cantrell Decl. Exs 1-5.

Tax Reduction, Asset Protection, and Peace of Mind With The Joy Foundation Unincorporated Business Trust Organization by Dr. Joe Sweet, M.Div., D.M.Th.: Defendant Sweet's description of UBTO tax benefits.

UBTO Contract: Agreement whereby EDM creates and develops the necessary papers and forms to create UBTOs, and Dr. Joe Sweet is paid on behalf of the Joy Foundation for the UBTOs.

UBTO Acknowledgment of Understanding: Document whereby UBTO customer acknowledges terms of contract with EDM.

Product Order Form for defendant's promotional materials: Form for ordering, among other things, defendants' materials such as the Associate's Workbook, UBTO Video Tape, Associate's Degree Tape, "Itty-Bitty-Book—Associate's Degree," and "Itty-Bitty-Book—Dr. Joe's Book"

The continued availability of these promotional materials also demonstrates that Sweet and EDM continue to promote abusive tax schemes and make false statements about the internal revenue laws, which they were expressly enjoined from making. Examples of the false statements appearing on the Joy Foundation's website include the following:¹⁰

- Wages are not taxable income;¹¹
- The federal income tax is unconstitutional as a direct tax not apportioned among the states;¹²
- The Internal Revenue Service is not legally authorized to collect taxes;¹³

¹⁰ *Id.* ¶¶ 6 and 10, and Cantrell Decl. Exs. 2 and 6.

¹¹ *See* Court's Order of February 20, 2002, ¶ 4(c)(1).

¹² *Id.* ¶ 4(c)(2).

¹³ *Id.* ¶ 4(c)(3).

- Filing tax returns and paying taxes, including income taxes, are voluntary;¹⁴
- The federal tax laws apply only to foreign earned income;¹⁵
- The Internal Revenue Service is the collection arm for the Federal Reserve System, and the Federal Reserve System was formed by “8 private world banksters;”¹⁶
- Individuals are exempt from internal revenue laws requiring tax withholding;¹⁷
- Income earned on trust-owned property is not taxable.¹⁸

Defendants’ continued false statements and promotion of abusive tax schemes over the Internet is a flagrant violation of the Court’s February 20, 2002 Order.

2. Defendants Failed to Notify Customers of the Injunction Order, and Failed to Turn Over Any Documents.

The defendants have not complied with the Court’s February 20, 2002 Order requiring them to notify all purchasers of their abusive tax plans “Good News... Bad News” and “UBTO” of the permanent injunction. In his court filing entitled “Compliance With Court Order,” Sweet claims to lack knowledge of any purchasers and to have no records containing their names and addresses.¹⁹ But Sweet

¹⁴ *Id.* ¶ 4(c)(4).

¹⁵ *Id.* ¶ 4(c)(5).

¹⁶ *Id.* ¶ 4(c)(6).

¹⁷ *Id.* ¶ 4(c)(8).

¹⁸ *Id.* ¶ 4(c)(9).

¹⁹ To the extent that Sweet through this filing is attempting to represent EDM, the filing should be stricken because EDM must be represented by licensed counsel and may not appear pro se through its trustee, as this Court has already held in its March 29, 2001 Order in this case.

and EDM fail to explain what they have done with their business records. Sweet then adds that even if he had the names and addresses of his customers, he expects someone else to pay for copying and postage costs in notifying customers of the Court's Order. The Court's Order, however, required Sweet to do this. If he claims he is financially unable to do so, he should submit financial statements, under penalty of perjury, showing the income and assets of Sweet, EDM, and the Joy Foundation. Sweet has made no effort to comply with the Order.

ARGUMENT

This Court should impose civil contempt sanctions on defendants for their total disregard of the Court's Order of February 20, 2002. District courts have inherent power to enforce compliance with orders through civil contempt.²⁰ And district courts retain jurisdiction during an appeal to consider contempt motions unless the judgment is stayed or superseded, which has not occurred here.²¹ It is the Government's burden to establish, by clear and convincing evidence, that defendants violated the Court's February 20, 2002 Order.²²

Once the United States makes a prima facie showing of a violation, the burden shifts to a defendant to "produce evidence explaining his noncompliance" at a show-cause hearing.²³ To escape

²⁰ *United States v. Barnette*, 129 F.3d 1179, 1182 n.7 (11th Cir. 1997).

²¹ *United States v. McCorkle*, No. 6:98-CR-52-ORL-19C, *3 (M.D. Fla. filed Sept. 14, 2000). Appeal from this Court's February 20, 2002 Order and Judgment was docketed with the 11th Circuit March 25, 2002, No. 02-11612-B.

²² *United States v. Roberts*, 858 F.2d 698, 700 (11th Cir. 1988)(affirming contempt where contemnor failed to show that he made "in good faith all reasonable efforts to comply).

²³ *Citronelle-Mobile Gathering, Inc. v. Watkins*, 943 F.2d 1297, 1301 (11th Cir. 1991); see also *Mercer v. Mitchell*, 908 F.2d 763, 767-68 (11th Cir. 1990)(outlining typical contempt proceeding).

contempt, a defendant must show that he either did not violate the court order, or that he was “excused” from complying.²⁴ To satisfy this burden, a defendant must “offer proof beyond the mere assertion of an inability.”²⁵ Specifically, a defendant “demonstrate[s] an inability to comply only by showing that [he has] made ‘in good faith all reasonable efforts to comply.’”²⁶

The Eleventh Circuit strictly construes the “in good faith and all reasonable efforts to comply” standard, requiring contempt sanctions where contemnors made “some effort” but not “all reasonable efforts” to comply, or where contemnors presented only their own unsubstantiated testimony.²⁷

We construe this requirement strictly. ‘Even if the efforts he did make were ‘substantial,’ ‘diligent’ or ‘in good faith,’ ... the fact that he did not make ‘all reasonable efforts’ establishes that [respondent] did not sufficiently rebut the ... prima facie showing of contempt. The ...use of a ‘some effort’ standard for measuring the strength of [the] defense [would be] an abuse of discretion.’²⁸

²⁴ *Mercer*, 908 F.2d at 768.

²⁵ *Citronelle-Mobile*, 943 F.2d at 1301; *see also Hodgson v. Hotard*, 436 F.2d 1110 (5th Cir. 1971)(reversing district court’s dismissal of contempt petition where contemnor’s only evidence establishing inability to comply was his own unsubstantiated testimony).

²⁶ *United States v. Roberts*, 858 F.2d 698 (11th Cir. 1988).

²⁷ *United States v. Hayes*, 722 F.2d 723, 725 (11th Cir. 1984)(“some effort” at compliance insufficient to avoid contempt); *Hodgson v. Hotard*, 436 F.2d 1110 (5th Cir. 1971)(unsubstantiated testimony of inability to comply insufficient to avoid contempt). *See United States v. Roberts*, 858 F.2d 698 (11th Cir. 1988)(affirming contempt where contemnor’s record searches did not amount to “all reasonable efforts”); *Commodity Futures Trading Commission v. Wellington Precious Metals, Inc.*, 950 F.2d 1525, 1529-30 (11th Cir. 1992)(affirming denial of motion to terminate contempt where contemnor presented documentary evidence and witness testimony to establish inability to comply, but failed to meet burden); *Combs v. Ryan’s Coal Co., Inc.*, 785 F.2d 970, 984 (11th Cir. 1986) (presentation of incomplete financial records does not satisfy requirement to make “all reasonable efforts”).

²⁸ *Combs v. Ryan’s Coal Co., Inc.*, 785 F.2d 970, 984 (11th Cir. 1986), citing *Hayes* at 725.

In *Hayes*, the district court ordered Hayes, a tax-shelter promoter like Sweet, to produce information pertaining to his promotion. Hayes partially complied with the order, but claimed that some of the documents were being held in Switzerland, by Hayes's business partner, who refused to release them. Despite Hayes's "diligent requests" involving trips to Switzerland to obtain the documents, the Eleventh Circuit found that Hayes failed to make "all reasonable efforts" to comply with the order: "[O]ther avenues for obtaining the material were never explored."²⁹ Hayes failed to take any actions against his business partner, including researching his legal rights, threatening his business partner with legal action, or consulting an attorney. "He cannot carry his burden... merely by adducing evidence that he has *requested* the documents, when it appears that he has greater leverage at his disposal."³⁰

Once a Court determines that a defendant has not complied with the Court's order, the Court may impose both coercive and compensatory sanctions.³¹ When devising sanctions to ensure compliance with its order, the Court should consider "the character and magnitude of the harm threatened by continued contumacy and the probable effectiveness of any suggested sanction in bringing about the result desired."³² Appropriate sanctions may include a coercive daily fine, a compensatory fine, coercive incarceration, and attorneys' fees and costs.³³

²⁹ *Hayes* at 725-26.

³⁰ *Id.*

³¹ *Citronelle-Mobile Gathering, Inc. v. Watkins*, 943 F.2d 1297, 1301 (11th Cir. 1991).

³² *Id.*

³³ *Id.*

As explained above, defendants continue to promote abusive schemes over the Internet, and in doing so continue making false statements about the tax laws. They have failed to notify any of their customers of the Court's Order, and they have failed to turn over a single document to the United States. Thus, the United States has made a prima facie showing of defendants' failure to comply with the Order.

To avoid contempt, defendants must prove that they have made "in good faith all reasonable efforts to comply." Defendants have not made reasonable efforts to halt the sale of their abusive scheme being sold over the Internet. Sweet's "Compliance" filing with the Court does not even refer to his obligation to stop promoting his abusive schemes, nor does it attempt to explain why his materials continue to be available at www.joyfoundation.com.³⁴ Sweet is a trustee of the Joy Foundation, just as he is a trustee of EDM.³⁵ Sweet as co-trustee has legal control over the Joy Foundation, and thus could halt the sale of abusive tax plans and related promotional materials and ensure the removal of all false statements from the website at www.joyfoundation.com.

Defendants have made no attempt to notify customers of the Court's Order, and have made no effort to provide the United States with documents. Sweet's "Compliance" filing contains no explanation for his claimed lack of customer records, nor does it address why he cannot reconstruct those records. Moreover, as trustee of the Joy Foundation, and as an active promoter through EDM and others, Sweet can gain access to the records and information needed to enable him to comply with the Order.³⁶ Over

³⁴ Sweet's "Compliance" filing was also not signed under penalty of perjury.

³⁵ Def.'s Answers to United States' First Set of Interrogs., ¶ 8, attached as Ex. 1.

³⁶ Decl. of Jeanette Matthews, ¶¶ 4-9. Revenue Agent Jeanette Matthews's Declaration establishes that defendants on occasions promoted their abusive tax schemes in conjunction with others before they became involved with the Joy Foundation. "Jeanette Matthews" is a registered pseudonym authorized by the Internal Revenue Service for use in the course of official duties. See Use

the course of the pre-Joy phase of defendants' promotion, at least 650 individuals purchased plan materials from the defendants, and defendants sold at least 400 trusts.³⁷ It defies belief that defendants have no records for these transactions. Even if the defendants themselves currently have no access to customer information or documents (which is highly unlikely), they could, at the least, attempt to reconstruct the requisite information and documents.³⁸ Additionally, many of defendants' customers could be notified by posting, in a prominent location on all Joy Foundation websites, a copy of the Court's Order.

Through his relationship with the Joy Foundation, and as the author of Joy Foundation materials, Sweet can, and must, ensure that his abusive tax schemes and related materials are no longer sold. It is evident from defendants' purported "compliance" to date, that defendants have not made "in good faith all reasonable efforts to comply" with the Order, and that defendants have no intention of doing so without more coercive measures from the Court.

A coercive daily fine of \$2,000 per day against each defendant for each violation of the Order is appropriate here to ensure compliance because defendants' actions to date show their intention to

of Pseudonyms by Internal Revenue Service Employees, Pub. L. 105-206, Title III, § 3706, July 22, 1998, 112 Stat. 778; *see also In re Dept. Treasury, Internal Revenue Service and National Treasury Employees Union*, No. 91 Federal Service Impasses Panel 229 at 4 (March 10, 1992); *Sanders v. United States*, 53 F.3d 343, 1995 WL 257812 (10th Cir. 1995)(unpublished); *Ricks v. Whitney*, 79 F.3d 1154 (Table), 1996 WL 115179 (9th Cir. 1996).

³⁷ Compl. ¶ 21; *Buchanan v. Bowman*, 820 F.2d 359 (11th Cir. 1987)(effect of default judgment is defendants' admission of plaintiff's well-pleaded allegations of fact).

³⁸ For example, in making all reasonable efforts to comply with the Court's Order, Sweet should contact all former associates in writing, inform them of the Court's Order and his own obligation to comply with it, and request any information and documents that might assist him in identifying and locating customers. Sweet should then file copies of all of this correspondence, both sent and received, with the Court.

disregard the Order.³⁹ Specifically, separate fines of \$2,000 against each defendant should be assessed for every day that each of the following violations occur:

- Continued promotion of abusive tax schemes, including the availability of defendants' promotional materials and false statements about the internal revenue laws over the Internet;
- Continued failure to notify customers of the Court's Order; and
- Continued failure to turn over information or documents to the United States.

Under this proposal, if defendants partially comply with the Order and remove their promotional materials and false statements from the Joy Foundation website (and any other sites on which their abusive promotions or false statements appear), yet continue to defy the Court by failing to notify customers of the Order and by failing to provide documents to the United States, the Court would impose a coercive fine of \$4,000 per day against both Sweet and EDM.

In *Chris-Marine USA*, the court ordered coercive daily sanctions of \$2,500, and denied plaintiff's motion to stay execution of a prior-ordered coercive daily fine, bringing the total coercive fine to \$782,500. The court explained that "plaintiff's efforts at compliance were at best half-hearted and belated. While the record supports a finding that plaintiff went through the 'gesture' of searching for requested documents, it cannot be said that it engaged in 'all reasonable efforts' to produce all the documents..."⁴⁰ Here, defendants have not even made a "gesture" of searching for any documents, and have made no allegations of any attempt to remove false statements from the Joy Foundation website or

³⁹ *Chris-Marine USA, Inc. v. United States*, 1999 WL 282772 (M.D.Fla. 1999)(imposing a coercive daily fine of \$2,500 and staying execution of coercive incarceration for an additional 45 days to allow contemnor to purge itself of contempt).

⁴⁰ *Id.*

use that website to notify customers of the Court's Order. Because coercion is clearly necessary, and because a total daily fine of \$6,000 against each defendant may be sufficient to bring about compliance, a coercive fine ranging from \$2,000 to \$6,000 per day, depending on level of compliance, should be ordered against each defendant until they comply fully with the Order.

Coercive incarceration will become necessary if defendants do not purge themselves of contempt.⁴¹ If defendants continue to violate the original injunction Order, or if they fail to pay all fines associated with a contempt finding, coercive incarceration of Sweet will be required to ensure their compliance.

In addition to the sanctions requested above, the government seeks an order entitling it to conduct full discovery to enable the Government to monitor compliance.⁴²

⁴¹ *Id.*

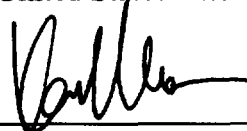
⁴² *Federal Trade Commission v. Wallace*, 2000 WL 33115562 (N.D.Ga. 2000)(authorizing the plaintiff to monitor defendant's compliance with an injunction through discovery under Rules 26 through 37, and 45, Fed.R.Civ.P.).

CONCLUSION

The government has shown by clear and convincing evidence that defendants have violated this Court's February 20, 2002 Order. Accordingly, defendants should be held in contempt and fines and penalties imposed.

Respectfully submitted,

PAUL IGNATIUS PEREZ
United States Attorney



KARI M. LARSON
JEFFREY SWYERS
Trial Attorneys, Tax Division
U.S. Department of Justice
Post Office Box 7238
Ben Franklin Station
Washington, D.C. 20044
Telephone: (202) 514-0564
(202) 514-6507

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA

3 11 8:37

UNITED STATES OF AMERICA

Plaintiff,

-vs-

EDM ENTERPRISES, a Trust, and
JOSEPH N. SWEET, individually
and as trustee of EDM ENTERPRISES,

Defendants.

Civil No. 8:01-CV-331-T-23TGW

DEFENDANTS' ANSWERS TO UNITED STATES' FIRST SET OF INTERROGATORIES



UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

v.

JOSEPH N. SWEET, individually
and as trustee of EDM ENTERPRISES;
and EDM ENTERPRISES, a Trust,

Defendants.

CIVIL NO. 8:01-CV-331-T-23TGW

United States' First Set of Interrogatories to
Joseph N. Sweet and EDM Enterprises

The plaintiff submits these interrogatories to the defendants under Rule 33 of the Federal Rules of Civil Procedure, to be answered within 30 days, in writing, under oath. If you contend that any information sought by these interrogatories is subject to any privilege, describe the information in sufficient detail to permit the Court to adjudicate the validity of the claim of privilege,

Interrogatory No. 1

State the full names, home addresses and telephone numbers, and business addresses and telephone numbers of all persons who have or may have knowledge of discoverable information that you may use to support your claims or defenses. For each such person provide summary of the facts known by each person.

Answer:

Interrogatory No. 2

State the full names, home addresses and telephone numbers, and business addresses and telephone numbers of all persons who, from January 1, 1997 through the present have purchased any tax-saving techniques, strategies, devices, plans, or arrangements, including but not limited to trusts or trust-type entities such as Unincorporated Business Trust Organizations ("UBTOs"); or who have purchased any written materials such as "Good News for Form 1040 Filers, Bad News for the IRS!;" "Building a 'Reliance Offense;'" and any writing concerning UBTOs.

Answer:

Interrogatory No. 3

List all payments or other compensation received by Joseph N. Sweet, EDM Enterprises, the JoY Foundation, or their employees, agents, or associates during the period from January 1, 1997 through the present from purchasers of any tax-saving techniques, strategies, devices, plans, or arrangements, including but not limited to trusts or trust-type entities such as UBTOs or of any materials identified in response to Interrogatory No. 2.

Answer:

Interrogatory No. 4

List all payments (including royalties) you have received during the period from January 1, 1997 through the present from sales of "Good News for Form 1040 Filers, Bad News for the IRS!;" "Building a 'Reliance Offense;'" and any writing concerning UBTOs.

Answer:

Interrogatory No. 5

State the full name, address, and telephone number of all banks, both foreign and domestic, with which you currently maintain (or have maintained at any time between January 1, 1997 and the present) an account (including checking, savings, brokerage, credit card, debit card, and any other type of account). For each such account, state the account number, the type of account (such as checking, savings, brokerage, credit card, etc.) and the dates you opened and (if applicable) closed the account.

Answer

Interrogatory No. 6

State the full name, address, and telephone number of all banks or financial institutions, both foreign and domestic, with which you currently maintain (or have maintained at any time between January 1, 1997 and the present) an account (including checking, savings, brokerage, credit card, debit card, and any other type of account). For each such account, state the account number, the type of account (such as checking, savings, brokerage, credit card, etc.) and the dates you opened and (if applicable) closed the account.

Answer

Interrogatory No. 7

State the full names, home addresses and telephone numbers, and business addresses and telephone numbers of all persons or entities that have had any role in operating or preparing content for the following websites at any time since January 1, 1997.

www.affiliatefirst.com

www.allaboutfreedom.com

www.axeyourtax.com

www.allaboutfreedom.net/JoyFoundationForms.html

www.citrans.com

www.creativeopportunity.com

www.drdino.com

www.drgsiek.com

www.edrivera.com

www.e-eklesia.net/

www.freedomfromtax.com

www.freedomfromtaxes.com

www.free-yourself-of-taxes.com

www.goldhaven.com

www.g-web.net

<http://www.innovativetaxsystems.com/joyabto.html>

www.inteli-search.net

www.irstaxtruth.net

www.joyconnection.com

www.joyfoundation.com

www.justwebit.com

www.kresch.com

www.2kplusteam.com

www.legallybeincometaxfree.com

www.millgonomics.com

www.norfed.org

www.resumes-by-duke.com/asdeg2.htm

www.saveyourpay.com

www.savinc.com/joy/

www.schoolofwealth.com

www.starthere.com

www.strategies-for-wealth.com

www.takingitback.com

www.taxedless.com

www.taxfreejoy.com

www.taxfreelike.me

www.taxesavers.com

www.taxtruth4u.com

www.thejoyfoundation.com

www.thelaunchteam.com

www.top-biz.com/taxmanshorror/members.htm

www.true-facts.org

www.truefreedom.com

www.voluntarytax.com

www.wealth4freedom.com

www.wealth-university.com

www.wealtheducation4u.com

www.worldnewsstand.net

www.zeroincome taxes.com

Answer

Interrogatory No. 8

Describe your relationship with each of the following entities or individuals, including but not limited to business, financial, legal and personal relationship, during the period between January 1, 1990 and the present:

EDM Enterprises, JoY Foundation, CSE Enterprises, Jack Malone, Yvonne Malone, John Turner, and Pat Shannon.

Answer:

Interrogatory No. 9

State the full names, home addresses and telephone numbers, and business addresses and telephone numbers of all persons or entities that have provided financial or legal advice, assisted in the development of any of your books or other materials (including but not limited to any tax saving techniques, strategies, devices, plans, or arrangements, including but not limited to trusts or trust-type entities such as UBTOs,) assisted with marketing, promotion or sales of any tax saving techniques, strategies, devices, plans, or arrangements, including but not limited to trusts or trust-type entities such as UBTOs, or organized or appeared at any tax-related events at which you have appeared during the period between January 1, 1990 and the present.

Answer:

Interrogatory No. 10

Have you traveled more than 100 miles from Bradenton, Florida, at any time since January 1, 1997 in connection with any activities relating to EDM Enterprises, JoY Foundation, or CSE Enterprises? If so, for each such trip list

- a) each city, state, and country traveled to;
- b) the expenses incurred for airfare or other transportation;
- c) the expenses you incurred for hotels or other lodging;
- d) the full names, home addresses and telephone numbers, and business addresses and telephone numbers of all persons or entities that reimbursed you for all or part of any expenses you incurred;
- e) the date(s) of each such trip
- f) the purpose of each such trip, including a description of your activities
- g) the full names, home addresses and telephone numbers, and business addresses and telephone numbers of all persons or entities to whom you spoke in connection with any activities relating to EDM Enterprises, JoY Foundation, or CSE Enterprises?

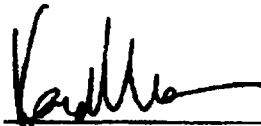
Answer:

Interrogatory No. 11

State the full names, home addresses and telephone numbers, and business addresses and telephone numbers of all persons involved or assisting in any way in the organization or sale of any tax-saving or tax-reducing techniques, strategies, devices, plans, or arrangements, including but not limited to trusts or trust-type entities such as UBTOs promoted or offered by Joseph N. Sweet, EDM Enterprises, the JoY Foundation, or their employees, agents, or associates. Such persons include, but are not limited to, (1) attorneys, (2) accountants, (3) salespersons, (4) other persons to whom commissions or finders fees were paid and (5) persons appearing at any formal or informal meeting or seminar sponsored by or on behalf of Joseph N. Sweet, EDM Enterprises, the JoY Foundation, or their employees, agents, or associates.

Answer:

MAC CAULEY
United States Attorney



SETH G. HEALD
DANIEL R. CONRAD
KARIM M. LARSON
Trial Attorneys, Tax Division
U.S. Department of Justice
Post Office Box 7238
Washington, D.C. 20044
Telephone: (202) 514-6502

DEFENDANTS' ANSWERS TO UNITED STATES' FIRST SET OF INTERROGATORIES

For Answer to the correspondingly numbered paragraphs of Plaintiffs First Set of Interrogatories, the Defendants say:

1. Joseph Nelson Sweet
5318 36th Avenue Circle W., E-5
Bradenton, Florida 34209
He knows all information relevant to the governments claim and Defendants' defenses.

Albert J. Wagner
Post Office Box 497
Hatfield, Pennsylvania 19440
Defendants do not know exactly what discoverable information Mr. wagner may be knowledgeable of. However, it is believed that he knows that the trust in issue is not an "abusive trust" subject to penalties under Section 6700 of the Internal Revenue Code.

The JoY Foundation
13936 Hillsborough Avenue
Tampa, Florida
Defendants believe that The JoY Foundation has knowledge that the trust in issue is not an "abusive trust" subject to penalties under Section 6700 of the Internal Revenue Code, and that Joseph Nelson Sweet has done nothing except exercise his rights of freedom of speech and freedom of expression, as guaranteed by the First Amendment to the Constitution of the United States of America, when he wrote the book in question.

2. None. I have no knowledge of anyone who has ever purchased any "tax-saving techniques, strategies, devices, plans, or arrangements".
3. None. I have no knowledge of anyone who has ever purchased any "tax-saving techniques, strategies, devices, plans, or arrangements".
4. I do not have any records of payments received.
5. Objected to on the grounds that the information sought to be obtained is irrelevant, immaterial, and not reasonably calculated to lead to the discovery of admissible evidence.
6. Objected to on the grounds that the information sought to be obtained is irrelevant, immaterial, and not reasonably calculated to lead to the discovery of admissible evidence.
7. Unknown.

8. EDM Enterprises - Trustee

I have no relationship to "JoY Foundation", but I am a trustee of "The JoY Foundation".

CSE Enterprises - no relationship

Jack Malone - Friend and co-trustee of "The JoY Foundation".

Yvonne Malone - acquaintance.

John Turner - acquaintance.

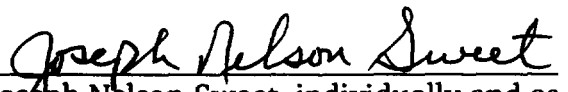
Pat Shannon - acquaintance.

9. No one.

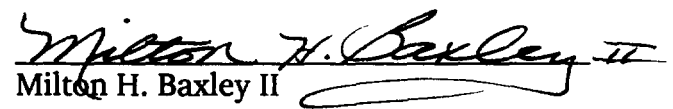
10. Objected to on the grounds that the information sought to be obtained is irrelevant, immaterial, and not reasonably calculated to lead to the discovery of admissible evidence.

11. None. I have no knowledge of anyone who has ever been involved or assisted in organizing or selling any "tax-saving techniques, strategies, devices, plans, or arrangements".

I hereby certify under penalties of perjury of the Laws of the united States of America, that foregoing answers to interrogatories are true and correct to the best of knowledge, information and belief.


Joseph Nelson Sweet, individually and as
Trustee for EDM Enterprises

As to Objections:


Milton H. Baxley II
Attorney for Defenants

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT the original and one copy of the foregoing was furnished to MAC CAULEY, United States Attorney, SETH G. HEALD and DANIEL R. CONRAD, Trial Attorneys, Tax Division, U.S. Department of Justice, and, per mailing instructions, was sent on the 7th day of February, 2002, by Federal Express to the following address: 419 11th St. NW, Washington, D.C. 20004, but was returned to the sender on February 18, 2002, with the following message from FedEx attached: "Package is being returned because Recipient (sic) did not pick up and their (sic) is not a phone number to contact her (sic)." Therefore, the foregoing was sent to MAC CAULEY, United States Attorney, SETH G. HEALD and DANIEL R. CONRAD, Trial Attorneys, Tax Division, U.S. Department of Justice, Post Office Box 7238, Ben Franklin Station, Washington, D.C. 20044, by U.S. Mail, this 19th day of February, 2002.



Joseph Nelson Sweet
C/o 5726 Cortez Rd. W., #118
Bradenton, Florida 34210
(941) 792-1742

DECLARATION OF
CONTRACT AND INDENTURE
OF

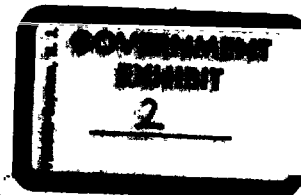
The JoY Foundation

A SOVEREIGN, INTERNATIONAL,
PURE, PRIVATE, NON-STATUTORY, NON-ASSOCIATED,
UNINCORPORATED BUSINESS TRUST ORGANIZATION
(UBTO).

THIS Agreement, Conveyance and Acceptance is a COMMON LAW CONTRACT in TRUST FORM, made on the date first written below. This Common Law Unincorporated Business Trust Organization, also commonly known as a "Business Trust," a "Common Law Trust" (CLT), a "Contract Trust," a "Pure Trust," or as an "Unincorporated Business Organization" (UBO), created by this Contract and Indenture, is hereby authorized to exist and function by and through its Board of Trustees, for the benefit of its Beneficiary/s named herein, under the name of:

The JoY Foundation,

hereinafter termed the "UBTO," and said Board shall act collectively, not as individuals, but in joint tenancy, in a fiduciary capacity, pursuant to all of the conditions, terms and provisions as herein set forth and according to the inalienable Common Law Rights afforded to men. This UBTO is not a trust agreement by gift, nor a partnership, nor a company created by statute, nor association, nor joint venture, nor a corporation. Nothing contained herein shall be construed as intent to evade any legal duty or contravene any law, nor to delegate any special power belonging exclusively to company law or to a franchise of incorporation.



ACKNOWLEDGMENT AND DECLARATION
OF THE
CONTRACT AND INDENTURE
WHICH CREATES

The JoY Foundation

c/o PMB 171, 2519 McMullen Booth Rd., Suite 510, Clearwater, FL 33761

IN WITNESS WHEREOF, the Party named herein as EXCHANGERS, to wit: Jack L. Malone and Yvonne M. Malone, husband and wife, and the Party named herein as CREATOR, to wit: EDM Enterprises, said Parties being of sound mind and competent understanding, in simultaneous offerings and acceptances hereof for consideration of money and money's worth for the conveyance of certain properties irrevocably transferred by exchange into this Common Law Unincorporated Business Trust Organization for the benefit of Beneficiaries who are the Holders of Certificates of Capital Units, whose identities as Beneficiaries/Certificate Holders are revealed as recorded in the private Register of Certificate Holders,

SAID PARTIES have hereunto set their hands and seals to this Contract and Indenture in token and recognition of the creation of this UBTO, and of the delivery, conveyance, and acceptance of property, assets or other things of value, and of the agreements, conditions, obligations and duties imposed and set forth by the provisions expressed herein; further,

WE, the undersigned PARTIES/AFFIANTS, affirm that we have executed this instrument as a free and voluntary act and deed on the date/s shown below together with our signatures.

FURTHER AFFIANTS SAY NAUGHT.

FIRST PARTY/AFFIANTS:

/s/ Jack L. Malone Date 9-20-99
Jack L. Malone, EXCHANGER. ALL RIGHTS RESERVED
/s/ Yvonne M. Malone Date 9/20/99
Yvonne M. Malone, EXCHANGER. ALL RIGHTS RESERVED

SECOND PARTY/AFFIANT:

/s/ Joseph N. Sweet Date Sept 20, 1999
Joseph N. Sweet, Signatory Correspondent, EDM Enterprises. CREATOR. ALL RIGHTS RESERVED

ASSEVERATION OF WITNESSES

I/We, the undersigned, hereby attest and declare that the following statement/s is/are the truth to the best of my/our knowledge and belief:

- (1) The foregoing instrument was personally signed by the above said "PARTIES"/"AFFIANTS," in our presence, upon the date first above written, and thereupon I/we, at their request and in their presence, have hereunto subscribed our names as witnesses;
- (2) I/We did not sign the above signature/s of any said PARTY/AFFIANT for or at his/her direction;
- (3) I/We personally know each PARTY/AFFIANT and/or have examined identification of each PARTY/AFFIANT and believe him/her to be of sound mind and under no constraint, duress, fraud or undue influence;
- (4) I/We are not related to any said PARTY/AFFIANT by blood, marriage or adoption;
- (5) I/We are not entitled (to the best of our knowledge and belief) to any portion of the estate of any said PARTY/AFFIANT upon his/her death under any will or codicil of any said PARTY/AFFIANT or by operation of law;
- (6) I/We do not have any present or inchoate claim against any portion of the estate of any said PARTY/AFFIANT;
- (7) Neither of us is a person named as attorney-in-fact in this instrument; and
- (8) Both of us are at least 18 years of age.

/s/ Barbara J. Beauregard Date 9-20-99
Witness Signature
Barbara J. BEAUREGARD
Printed Name
Address: 5318 36th Ave. Cir. W. E-7 Bradenton FL 34209
STREET APT. CITY STATE ZIP

/s/ Dolores Baldwin Date 9-20-99
Witness Signature
Dolores Baldwin
Printed Name
Address: 5318 - 36th Ave. Cir. W. #E-7 Brad. FL 34209
STREET APT. CITY STATE ZIP